ORDINANCE NO. 2024 - 01

AN ORDINANCE OF THE VILLAGE COUNCIL OF THE VILLAGE OF ESTERO, FLORIDA, AMENDING ARTICLE IV (FINANCE) OF CHAPTER 2 OF THE VILLAGE OF ESTERO CODE TO CREATE ENHANCED FINANCIAL RESPONSIBILITY AND MANAGEMENT STANDARDS; MAKING RELATED FINDINGS; AND PROVIDING FOR SEVERABILITY, CODIFICATION AND AN EFFECTIVE DATE.

WHEREAS, one of the founding principles of the Village of Estero was to ensure the financial resources of the Village residents should be used in the most fiscally responsible manner possible; and

WHEREAS, section 1(d) of the Village Charter provides that the Charter's intent is, in part, to maintain a financially secure and sustainable municipal government and to responsibly manage the Village's debt obligations without causing the state to incur any liability; and

WHEREAS, section 4(6)(c) of the Village Charter provides that the Council may not adopt any compensation plan for municipal employees or officers that incurs unfunded liabilities or adopt a defined benefit plan but may only adopt a defined contribution plan; and

WHEREAS, section 5(1)(d)(5) provides that the Village Manager must submit the annual budget, budget message, and capital program to the Council; keep the Council fully advised as to the financial condition and future needs of the Village; and make such recommendations to the Council concerning the affairs of the Village as the Village Manager deems appropriate; and

WHEREAS, section 8(2) of the Village Charter provides that the Village Manager shall submit to the Council an annual budget which must outline the financial policies of the Village for the ensuing fiscal year; describe the important features of the budget; indicate any major changes from the current year in financial policy, including any changes in budgetary accounting methods from the current year's expenditures and revenues together with the reasons for such changes; and summarize the Village's debt position; and

WHEREAS, section 8(3) of the Village Charter provides that the budget shall provide a complete financial plan of all village funds and activities for the ensuing fiscal year and, except as required by law or the Charter, shall be in such form as the Village Manager deems desirable or the Council may require for effective management and an understanding of the relationship between the budget and the Village's strategic goals; and

WHEREAS, this same section requires that the budget must begin with a clear general summary of its contents; shall show in detail all estimated revenue, indicating the proposed property tax levy, and all proposed expenditures, including debt service, for the ensuing fiscal year; and shall be so arranged as to show comparative figures for actual and estimated revenue and expenditures of the current fiscal year and actual revenue and expenditures of the preceding fiscal year; and

WHEREAS, this same section also provides that the budget shall contain separate sections which note:

- The proposed goals and expenditures for the current operations during the ensuing fiscal year, detailed for each fund by department or by other organizational unit, and by program, purpose, or activity; methods of financing such expenditures; and methods to measure outcomes and performance related to the goals.

- Proposed longer-term goals and capital expenditures during the ensuing fiscal year, detailed for each fund by department or by other organization unit when practical, the proposed method of financing each such capital expenditure, and the methods used to measure outcomes and performance related to the goals.

- The proposed goals, anticipated revenue and expenses, and profit and loss for the ensuing year for each utility or other enterprise fund or internal service fund operated by the village, and methods to measure outcomes and performance related to goals. For any fund, the total of proposed expenditures shall not exceed the total of estimated revenue plus carried forward fund balances exclusive of required reserves.

WHEREAS, section 8(6)(c) of the Charter addresses reductions of appropriations by requiring that, if, at any time during the fiscal year, it appears probable to the Village Manager that the revenues or fund balances available will be insufficient to finance the expenditures for which appropriations have been authorized, the Manager shall report to the Council without delay, indicating the estimated amount of the deficit, any remedial action taken by the Manager; and

WHEREAS, section 8(6)(e) of the Charter provides that no appropriation for debt service may be reduced or transferred, and no appropriations may be reduced below any amount required by law to be appropriated, or by more than the unencumbered balance thereof; and

WHEREAS, section 8(8) of the Charter provides that the Council shall provide for an annual independent audit of all Village accounts and pursuant to general law may provide for more frequent audits as it deems necessary, such audits to be conducted by a certified public accountant or a firm of such accountants who have no personal interest, direct or indirect, in the fiscal affairs of the Village government or in any of its officers; and

WHEREAS, in addition to these Charter provisions related to fiscal responsibility, § 2-150 to § 2-153 of the Village Code set forth several financial reserve rules related to Village operations; and

WHEREAS, notwithstanding the foregoing provisions, the Village desires to adopt further financial responsibility regulations to ensure the long-term financial stability and health of the Village government, thereby ensuring the Village of Estero can continue to faithfully provide the best and most financially responsible stewardship of the public funds it administers; and

WHEREAS, pursuant to that aim, the Village Manager has proposed the revisions to the Village's financial regulations set forth in this Ordinance; and

WHEREAS, the Village Council has considered the provisions set forth in this Ordinance and finds that they are in the best interests of the Village and its taxpayers.

NOW, THEREFORE, be it ordained by the Village Council of the Village of Estero, Florida:

Section 1. Article IV (Finance) of Chapter 2 (Administration) of the Village Code is hereby amended as follows:

ARTICLE IV. – FINANCE AND MANAGEMENT

DIVISION 1. – GENERALLY

Sec. 2-118. - Fees and charges; to be established by resolution.

Nothing in the Code or the ordinance adopting this c~~C~~ode shall repeal any fee or charge imposed by the ~~V~~village and all fees and charges shall be as established by resolution.

Secs. 2-119—2-149. - Reserved.

DIVISION 2. – RESERVE AND FINANCIAL RESPONSIBILITY POLICIES~~Y~~

Sec. 2-150. – ~~E~~Fund balances and reserve policies established.

(a) The ~~V~~village hereby establishes and shall maintain ~~a reserve policy~~ the fund balance of the various operating funds and related reserves at levels sufficient to protect the village's creditworthiness as well as its financial position during emergencies or economic fluctuations. Should the budgeted fund balance drop below the minimum identified by the policy below, the village will establish a plan to replenish the balances to the minimum level in subsequent years.

(1) The adoption of a reserve policy by the ~~V~~village will assist in ensuring the fiscal well being of the ~~V~~village by establishing a minimum level at which reserves are to be maintained or increased, as well as the mechanisms by which the policy may be amended, which are critical to the continued delivery of services to citizens of and the visitors to the ~~V~~village.

(2) The ~~V~~village desires to maintain prudent levels of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted expenses. In addition, this policy is intended to document the appropriate reserve levels to protect the ~~V~~village's ~~credit worthiness~~creditworthiness.

(b) There are five categories of fund balance in all governmental funds, not all will always be present. The categories are defined below:

(1) Non-spendable- cannot be spent due to being non-spendable in form or the village being legally or contractually required to maintain this amount intact. For example, inventories and prepaid amounts are considered non-spendable.

(2) Restricted- balances are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

(3) Committed- use of funds is only for specific purposes as determined by village council.

(4) Assigned- intended use of balances for specific purposes is established by the council or delegated to the village manager that is neither restricted or committed and includes the remaining positive balance of all governmental funds.

(5) Unassigned- excess funds that have not been classified in the previous four categories for the general fund. This category represents the portion of fund balance which is not obligated or specifically designated and is available for general purposes. Unassigned fund balance would also include deficit residual balances for any governmental funds after reporting amounts as restricted, committed, or assigned fund balances. Deficit amounts cannot be reported for restricted, committed, or assigned fund balances in any fund.

(c) When both restricted and unrestricted funds are available for expenditure, restricted funds will be used first. When committed, assigned and unassigned funds are available for expenditure, committed funds should be spent first, assigned funds second, and unassigned funds last.

Sec. 2-151. – Authority to constrain amounts.

(a) Non-spendable funds are funds that cannot be spent because they are either not in spendable form (e.g. inventories and prepaids) or are legally or contractually required to be maintained intact.

(b) Restricted funds are funds that have constraints placed on their use either externally by creditors, grantors, contributors, laws or regulations or other government or by law through constitutional provisions or enabling legislation.

(c) Committed funds are funds that have constraints placed on their use by the council.

(d) Assigned funds are funds that have constraints placed on their use by the council or village manager.

Sec. 2-152. – Procedures to constrain.

The process through which amounts are committed or assigned is as follows:

(1) Committed – The council has the authority to set aside funds for a specific purpose. The use of any funds set aside as committed fund balance requires a super majority vote. The passage must take place prior to September 30th of the applicable fiscal year but the amount can be determined at a later date. Council action would also be required to modify or rescind the specific use or amount.

(2) Assigned – The council or the village manager has the authority to set aside funds for the intended use of a specific purpose. This act would be in the form of a resolution, written request or as part of the annual budget process. Assigned funds may be determined as part of the annual budget process. Upon passage of a budget ordinance where fund balance is used as a source to balance the budget, that amount shall be recorded as assigned fund balance. Any modification or rescission would be in a written notification to the finance director.

Sec. 2-153. – General fund committed fund balance; emergency reserve.

(a) These funds are to be held in a deep reserve, to be used in the event of a major natural disaster or a major economic downturn. The specific use of these funds shall be to protect the health, safety, and welfare of residents, cover costs of recovery to the village, and/or to ensure the immediate pay-back of any debt previously incurred by the village for such purposes. These funds are not intended for any operating or cash-flow purposes.

(b) The minimum level for the emergency reserve is 50% of general fund budgeted expenditures less transfers out and any uses of fund balances. The need to utilize the emergency reserve must be established by the village council or the village manager. If established by the manager, the specific need must be reported to the council at its next meeting. A budget amendment must be approved by the council. When such a need is recognized as part of the budget process, the need and amount will be documented as part of that process and adopted as part of the budget. When it becomes necessary for the village to draw funds from the emergency reserve, wherein the balance drops below the minimum level of 30% of general fund budgeted expenditures less transfers out and any uses of fund balances, the village will develop a plan to replenish the account to the minimum level from net revenue surpluses in subsequent fiscal year(s) until the balance is restored to the minimum level.

(c) Compliance with the provisions of the emergency reserve fund policy shall be reviewed as part of the annual budget adoption process, and the amounts to be assigned from available fund balance may be determined during this process.

(d) In case of an emergency, use of the emergency fund will be given preference over the operating reserve to help ensure continuing operations.

Sec. 2-154. - General fund committed fund balance - operating reserve.

(a) These funds are to be used to stabilize the operating budget from unforeseen events including natural disasters, emergency situations, sustained declines in real estate values and/or property tax collections, and spending requirements imposed by the state or federal government vital to maintain day to day operations.

(b) The minimum level for the operating reserve is 20% of general fund budgeted expenditures less transfers out and any uses of fund balances. The need to utilize the operating reserve must be established by the council or the manager. If established by the manager, the specific need must be reported to the council at its next meeting. A budget amendment must be approved by the council. When such a need is recognized as part of the budget process, the need and amount will be documented as part of that process and adopted as part of the budget. When it becomes necessary for the village to draw funds from the operating reserve, wherein the balance drops below the minimum level of 20% of general fund budgeted expenditures less transfers out and any uses of fund balances, the village will develop a plan to replenish the account to the minimum level from net revenue surpluses in subsequent fiscal year(s) until the balance is restored to the minimum level.

(c) Compliance with the provisions of the operating reserve fund policy shall be reviewed as part of the annual budget adoption process, and the amounts to be assigned from available fund balance may be determined during this process.

Sec. 2-155. - General fund assigned fund balance – litigation reserve.

(a) Given the geographical area is prone to legal challenges, these funds are to be used in the event legal action is taken, or, conversely, in an instance where the village seeks a legal remedy to protect the public interest.

(b) The minimum level for the Litigation Reserve is $750,000. The need to utilize the litigation reserve must be established by the village council or the village manager. If established by the manager, the specific need must be reported to the council at its next meeting. A budget amendment must be approved by the council. When such a need is recognized as part of the budget process, the need and amount will be documented as part of that process and adopted as part of the budget. When it becomes necessary for the village to draw funds from the litigation reserve, wherein the balance drops below the minimum level of $750,000, the village will develop a plan to replenish the account to the minimum level from net revenue surpluses in subsequent fiscal year(s) until the balance is restored to the minimum level.

(c) Compliance with the provisions of the litigation reserve fund policy shall be reviewed as part of the annual budget adoption process, and the amounts to be assigned from available fund balance may be determined during this process.

Sec. 2-156. - General fund assigned fund balance – major road maintenance reserve.

(a) The major road maintenace reserve was established in fiscal year 2019-2020 with an initial contribution of $300,000 with 3% annual growth adjustments, unless directed otherwise by supermajority council approval. The annual contribution was determined via calculation of road repair costs for each village road. Given the state's weather conditions, it has been determined that road repairs and resurfacing must occur every seventeen years, on every village road in order to ensure that the village's road network remains in quality condition.

(b) Annual contributions will be allocated to the major road maintenance reserve during the budget process and if not expended will be presented as projected ending fund balance as an addition to any reserve balance carried forward from the prior year. If all of the major road maintenance reserve funds are budgeted to be expended during the fiscal year, funding of the annual contribution will be completed in the following fiscal year during the budget process.

(c) Use of the major road maintenance reserve funds will be determined by the village manager, subject to the requirements of this section.

Sec. 2-157. – Use of fund balance and use of surplus.

(a) Fund balance/working capital shall be used only for emergencies, non-recurring expenditures/ expenses, or major capital purchases that cannot be accommodated through current year savings. Should such use reduce balances below the level established as the minimum for that fund, the request/decision to utilize said balances will include a plan to replenish funds to the minimum level in subsequent fiscal year(s).

(b) It is the intent of the village to use all surpluses generated to accomplish four goals: meeting reserve policies, avoidance of future debt, funding one-time capital and reduction of outstanding debt.

Sec. 2-158. – Interfund loans.

(a) Through the long-range financial planning process, the village may identify a short-term capital financing need that does not qualify for debt financing, and funds are available in other funds. An interfund loan is a loan from one fund to another that specifies repayment terms and requires approval by council. Interfund loans may not be used to support operating needs but are allowable for cash flow needs related to capital projects. The interfund loan shall be documented and defined as follows:

(1) Source of the Funding
(2) Use of the Funds (project)
(3) Maximum Amount
(4) Repayment Schedule
(5) Interest rate, if applicable

(b) The proposed interfund loan shall be identified during the annual budget and CIP process as a funding source. Any changes to repayment terms shall be approved by the council and clearly identified in the budget document.

Sec. 2-159. – General fund and debt service fund.

(a) Any surpluses realized in the general fund at year-end may be used first to meet policies set forth in this section. Excess surplus may then be used for the following purposes:

(1) Funding for replacement programs
(2) Contributions to reserves in excess of minimum policy requirements
(3) Retirement or refinancing of existing debt
(4) Funding capital improvement program projects

(b) The village shall maintain the debt service fund balance reserve as required by bond ordinances.

~~(3) This policy establishes the amounts the Village will maintain in, or contribute to, it's various reserve accounts, how the reserves will be funded, the conditions under which the reserves may be used and the replenishment requirements.~~

~~(4) The specifically adopted reserve accounts are as follows:~~

~~a. Operating Reserve.~~

~~b. Litigation Defense Reserve.~~

~~c. Major Road Maintenance Reserve.~~

~~The reserve allocation amounts can be used only for the specific purposes determined by this section.~~

~~(5) The reserve policy may be changed or lifted only by the Council taking the same formal action that imposed the constraint originally, which, in this case, is an ordinance approved by a supermajority vote of the entire Village Council. This must include publicly noticing and advertising the proposed change consistent with F.S. § 116.041(3)(a).~~

~~(6) Any ordinance approved, which calls for a reduction in the reserve level, must include a detailed plan for how the reserve will be replenished.~~

~~(7) The Operating Reserve, Litigation Defense Reserve, and Major Road Maintenance Reserve, once fully funded, are to be maintained at final intended levels and may be spent as provided herein. The fund levels may be increased above this required threshold at any time by the Village Council, without supermajority approval of an ordinance amendment.~~

~~(8) If the use of any of the reserve accounts is deemed to be completed or no longer necessary and is approved by supermajority Council approval of an ordinance amendment stipulating such, then the reserve account shall be closed.~~

~~(9) This division and attached policy may only be repealed or amended by an ordinance approved by a supermajority vote of the entire Village Council.~~

~~Sec. 2-151. Operating Reserve.~~

~~(a) *Accumulation of funds.* The following accumulation will be calculated and allocated during the budget process:~~

~~(1) Fiscal year 2018-2019: Reserves equal to, or greater than, ten months of budgeted operating expenses as calculated at time of budget adoption.~~

~~(2) Fiscal year 2019-2020:~~

~~a. Reserves equal to, or greater than, 12 months of budgeted operating expenses as calculated at time of budget adoption.~~

~~b. Reserves equal to or greater than 12 months of budgeted operating expenses is the intended final level for this Reserve, and it is intended that the Reserve, as provided herein, shall be maintained at this level, or higher, unless directed otherwise by a supermajority Council approval of an ordinance amendment which orders a change in this policy.~~

~~(b) *Use of funds.* The Operating Reserve funds are only to be used for the following:~~

~~(1) *Disaster response.* The term "disaster response" means a state of emergency as declared by the Village, State or County. Under these conditions, the funds may be used for the preservation of life and property within the Village.~~

~~(2) *Revenue interruption.* Revenue interruption may occur when the State, County or Village can no longer operate to provide revenue to the Village.~~

~~(3) *Debt reserve.* The term "debt reserve" means an amount of reserves that may be required as part of debt or loan agreement.~~

~~(4) *Budgeted to expend to provide funding in the event of an economic downturn.* For application of the reserve policy, a qualifying economic downturn is a drop in budgeted general fund revenue of ten percent or higher from the prior year budget.~~

~~Use of the Operating Reserve funds will be determined by the Village Manager.~~

~~(c) *Replenishment of funds.* In the event that funds are expended from the Operating Reserve, the fund will be replenished in the following fiscal year during the budget process, in accordance with an adopted plan, until funds are fully restored to 12 months of budgeted operating expenses.~~

~~(d) *Budget process and presentation.* Funds will be allocated to the Operating Reserve during the budget process and if not expended will be presented as projected ending fund balance. If funds are budgeted to be expended during the fiscal year, replenishment of the funds will be completed in the following fiscal year during the budget process.~~

~~Sec. 2-152. Litigation Defense Reserve.~~

~~(a) *Accumulation of funds*. The Litigation Defense Reserve was established at $670,000.00 for fiscal year 2018-2019. This is the intended final minimum level for this Reserve, and the Reserve shall be maintained at or above this level, unless directed otherwise by supermajority Council approval of an Ordinance amendment which orders a change in this policy.~~

~~(b) *Use of funds*.~~

~~(1) Funds may be expended from the Litigation Defense Reserve when the Village is a named party in an active lawsuit after having utilized its annual insurance contribution for such defense, if available. In addition, funds may be used for threatened litigation or to develop a settlement strategy designed to prevent extended litigation.~~

~~(2) These funds may be expended in the legal defense of the Village, and not for the legal defense of any individual official, staff member, or otherwise affiliated individual, as determined by the Village Manager.~~

~~Use of the Litigation Defense Reserve funds will be determined by the Village Manager.~~

~~(c) *Replenishment of funds*. In the event that funds are expended from the Litigation Defense Reserve, this fund will be replenished in the following fiscal year during the budget process, in accordance with an adopted plan, until funds are fully restored to the initial $670,000.00 level.~~

~~(d) *Budget process and presentation*. Funds will be allocated to the Litigation Defense Reserve during the budget process and if not expended will be presented as projected ending fund balance. If funds are budgeted to be expended during the fiscal year, replenishment of the funds will be completed in the following fiscal year during the budget process.~~

~~Sec. 2-153. Major Road Maintenance Reserve.~~

~~(a) *Accumulation of funds*. The Major Road Maintenance Reserve annual contribution will be $300,000.00 for fiscal year 2019-2020, with three percent annual growth adjustments, unless directed otherwise by supermajority Council approval of an Ordinance amendment which orders a change in this policy.~~

~~(b) *Use of funds*.~~

~~(1) Each fiscal year, the Village Staff may identify specific roads experiencing road surface deterioration, and initiate road resurfacing and/or mill and overlay projects to address the identified issues. In addition, funds may be expended in the event that resurfacing is recommended during a planned road improvement project.~~

~~(2) Use of the Major Road Maintenance Reserve funds will be determined by the Village Manager.~~

~~(c) *Replenishment of funds*. The Major Road Maintenance Reserve fund will be funded each fiscal year with an annual contribution of $300,000.00, which contribution shall be increased by three percent each year. In the event that funds are expended, the reserve will receive the next annual contribution in the following fiscal year during the budget process.~~

~~(d) *Budget process and presentation*. Annual contributions will be allocated to the Major Road Maintenance Reserve during the budget process and if not expended will be presented as~~

~~projected ending fund balance as an addition to any reserve balance carried forward from the prior year. If all of the Major Maintenance Reserve funds are budgeted to be expended during the fiscal year, funding of the annual contribution will be completed in the following fiscal year during the budget process.~~

~~(e) *Annual contribution calculation.* The annual contribution was determined via calculation of road repair costs for each Village road. Given the State's weather conditions, it has been determined that road repairs and resurfacing must occur every seventeen years, on every Village road, in order to ensure that the Village road network remains in excellent condition. By providing an annual allocation increase of three percent, the Village will retain sufficient funds in this reserve to maintain Village roads at an excellent level.~~

Sec. 2-160. Fiscal responsibility policy established.

The following fiscal responsibility policy is hereby established and shall be maintained:

(a) Accounting, auditing, and financial reporting

(1) *Purpose*. The village will establish and maintain the highest standards of accounting practices in conformance with generally accepted accounting principles (GAAP) and comply with all statutory and legal requirements. The village will prepare and present reports that analyze and evaluate the village's financial condition.

(2) *Accounting practices and principles*. The village will maintain accounting practices that conform to GAAP as set forth by the Governmental Accounting Standards Board (GASB), the authoritative standard setting body for units of local government. All village financial documents, except monthly interim financial reports, including official statements accompanying debt issues, annual comprehensive reports and continuing disclosure statements will meet GASB standards. Monthly interim financial reports are on a cash basis and will be reported as budgeted.

(3) *Financial and management reports*. Monthly interim financial reports will be provided to management and the council. Village staff will, to the best of their ability, provide the report by the end of each month for the prior month. These reports will explain key economic and fiscal developments, note significant deviations from the budget, and track capital project costs.

(4) *Annual audit*.

(A) Pursuant to Florida Statutes § 218.39, the village shall have its accounts and records audited annually by an independent certified public accounting (CPA) firm, and it shall be completed within 9 months after the end of its fiscal year. It is the village's goal to submit the audit at the first village council meeting in May for approval. The audit firm shall provide a management letter to the village. The audit firm shall also provide a single audit of federal and state grants, when necessary.

(B) The objective of the audit of the financial statements by the independent auditor is the expression of an opinion on the fairness with which they present, in all material respects, financial position, results of operations, and its cash flows in conformity with generally accepted accounting principles. The auditor has a responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements are management's responsibility. The auditor's responsibility is to express an opinion on the financial statements.

(C) An official Annual Comprehensive Report (ACR) shall be issued no later than six (6) months following the end of the fiscal year. The ACR shall be prepared to meet the requirements of the Certificate of Achievement for Excellence in Financial Reporting program through GFOA. This program establishes criteria that go beyond the minimum requirements for Generally Accepted Accounting Principles to prepare ACRs that evidence the spirit of transparency and full disclosure. Any audit findings and/or management comments will be reported to the council at a public meeting.

(5) *Continuing disclosure*. The village will provide disclosure in connection with the initial sale and distribution of its publicly marketed debt instruments. The finance director will ensure that the Municipal Securities Rulemaking Board's EMMA® website is current and all disclosures are filed timely with assistance from the village's municipal advisor and bond or disclosure counsel. EMMA® is the official repository for information on virtually all municipal securities. Continuing disclosure includes annual disclosure required within 180 days of fiscal year end, as well as material event disclosure required under the Securities and Exchange Council (SEC) Rule 15c2-12 within 10 days of the occurrence of the event.

(b) Financial consultants

(1) *Purpose*. The village will employ qualified financial advisors and consultants as needed in the administration and management of the village's financial functions. These areas include but are not limited to audit services, debt administration, and financial modeling. The village shall implement evaluation criteria for each financial consultant to ensure the village receives the highest quality services available. The factors in the selection of these consultants should include but may not be limited to experience, expertise, ability to perform, the services offered, references, and methodology. In no case should price be allowed to serve as the sole criterion for selection.

(2) *Independent auditors*. In all matters relating to the assignment, an independence in mental attitude is to be maintained by the auditor or auditors. When contracting for audit services, the village shall request proposals from qualified firms, including the current auditors, if their past performance has been satisfactory. The selection committee shall choose an independent firm of certified public accountants to perform an annual audit of the accounts and records and render an opinion on the financial statements of the village. The firm is approved by the council. Each year, the independent auditor will provide a letter of engagement to the village for annual audit services. Audit staff rotation will be discussed with the firm annually.

(3) *Arbitrage consultants*. While the village is responsible for ensuring that the records are in order, the calculations made, reporting completed, and filings made, the actual arbitrage calculation and reporting connected to the village's tax-exempt debt shall be contracted out to a qualified

firm when needed. The arbitrage consultant shall complete a risk assessment of positive arbitrage on each bond issue annually as needed to determine the necessity for a calculation of positive/negative arbitrage in the current year. All bond issues in accordance with arbitrage regulation shall have each 5th year and final arbitrage calculations completed.

(4) *Bond counsel*. Village bond counsel has the role of an independent expert who provides an objective legal opinion concerning the issuance and sale of bonds and other debt instruments. As bond counsel are specialized attorneys who have developed necessary expertise in a broad range of practice areas, the village will always use a consultant for these services. Generally, bonds are not marketable without an opinion of nationally recognized bond counsel stating that the bonds are valid and binding obligations, stating the sources of payment and security for the bonds and that the bonds are exempt from state and federal income taxes (if applicable). Bond counsel is responsible for the following tasks in a transaction:

(A) Prepares and oversees bond proceedings,

(B) Ensures the village meets all the legal requirements and authorizations of the bond offering,

(C) Discloses and analyzes all relevant legal and financial documents that may have a bearing on the validity of the offering,

(D) Interprets relevant regulations and laws and assists in structuring the issue, and

(E) Writes key financing documents.

(5) *Disclosure counsel*. Disclosure counsel is an independent firm, separate from bond counsel, which may be retained by the village to provide a legal opinion concerning accuracy of the information presented in disclosure and bond documents including but not limited to the preliminary official statement and final official statement, and provide guidance on continuing disclosure obligations.

(6) *Municipal advisor (financial advisor)*. The Government Finance Officers Association (GFOA) recommends that issuers hire a municipal advisor, also referred to as a financial advisor, prior to the undertaking of debt financing. The village may issue various types of securities to finance its capital improvement program. Debt structuring and issuance requires a comprehensive list of services associated with municipal transactions, including but not limited to: method of sale; analysis of market conditions; size and structure of the issue; preparation of disclosure documents; coordinating rating agency relations and monitoring rating agency evaluation criteria; evaluation of and advice on the pricing of securities; assisting with closing and debt management; calculating debt service schedules; and providing recommendations on management of the village's finances, including evaluation of debt structures and refinancing opportunities.

(A) The municipal advisor must be registered as a municipal advisor with the U.S. Securities and Exchange Commission and the Municipal Securities Rulemaking Board.

(B) To ensure that the village is receiving services at fair market value, upon completion of contract, staff will select a municipal advisor through a competitive procurement process.

(C) While a municipal advisor plays a key role on the financing team, it is important to note that the village remains in control of the decision-making process necessary for the issuance and sale of the bonds or implementing the financing.

(D) The selected municipal advisor shall not be permitted to serve as underwriter on any bond transactions while serving in the municipal advisor role. Upon termination of the municipal advisor contract, a period of one year should pass before the firm may be engaged as an underwriter on any bond transaction for the village.

(c) Budget and long-range planning

(1) *Purpose*. The village will establish budget guidelines to encourage and maintain operations under the government-lite approach. These guidelines will allow the budget to serve as the culmination of the village's annual planning, implementation, and evaluation process. Additionally, a long-range financial planning process that assesses the long-term financial implications of current and proposed operating and capital budgets.

(2) *Balanced budget*.

(A) The village is required to prepare a balanced budget in which current revenues will be sufficient to support current expenditures. The budget process and format shall be performance based and focused on goals, objectives, and key performance indicators. The budget will provide adequate funding for maintenance and replacement of capital. The budget will be prepared in accordance with the current program criteria of the GFOA's distinguished budget presentation award program.

(B) In addition, it is expected that the annual operating budget will be structurally balanced. A structurally balanced budget is further defined as recurring revenues funding recurring expenditures and adherence to fund balance policies. Deferrals, short-term loans, or one-time sources will be avoided as budget balancing techniques. If economic conditions dictate that the village manager file a structurally imbalanced budget, it shall be accompanied by a plan to return the budget to structural balance and the resulting five-year financial forecast that reflects steps to be taken to return the budget to structural balance and to compliance with the village's fund balance policy.

(3) *Use of recurring revenues*. Recurring expenses will be funded exclusively with recurring revenue sources to facilitate operations on a current funding basis. Expenditures shall be budgeted and controlled so as not to exceed current revenues.

(4) *Use of non-recurring revenues*. Non-recurring revenue sources, such as a one-time revenue remittance or fund balance more than policy can only be budgeted / used to fund non-recurring

expenditures, such as capital purchases or capital improvement projects. This will ensure that recurring expenditures are not funded by non-recurring sources.

(A) The following expenditures are considered non-recurring for budgetary purposes:

(i) Transfers to other funds.
(ii) Capital expenditures.
(iii) Contingency funds.

(B) The following revenues are considered non-recurring for budgetary purposes:

(i) Grant revenues.
(ii) Reimbursements for one-time items.
(iii) Short term/inter-fund loans.

(C) Allowable uses of one-time revenues received during the year (over the budgeted amounts):

(i) To fund capital projects without an identified funding source.
(ii) To fund one-time expenditures in the following fiscal year's budget.
(iii) To replenish a draw down in the fund balance below policy requirements.

(5) *Revenue estimating for budgeting*. The village maintains a diversified and stable revenue structure to protect it from short-run fluctuations in any single revenue source. As part of this maintenance, the village shall estimate revenue using a conservative, objective, and analytical process based off historical data and expected future trends. This approach should reduce the likelihood of actual revenues falling short of budget estimates and should avoid mid-year service changes.

(6) *Budget management*

(A) General budget preparation

(i) The village charter requires the village manager to present a proposed budget to the council for the ensuing fiscal year and an accompanying message on or before July 15th of each year. Coordination of the budget process and preparation of the budget document is the task of the finance department, which is responsible for projecting revenues and beginning available fund balances for each fund.

(ii) The operating budget authorizing expenditures of village funds will be adopted annually at the fund level. The level of budgetary control is at the department level and the annual budgets serve as the legal authorization for expenditures.

(iii) Florida Statutes Chapter 200 (determination of millage) governs the budget and property tax rate adoption process. The village council is required to hold two public hearings for adoption of a property tax rate and budget. The annual budget shall be adopted in September of each year following the public hearings.

(B) Captial budget preparation. Pursuant to Florida Statutes § 218.39, the village shall prepare the capital improvement program as part of the comprehensive budget planning process. The village charter requires two public hearings and adoption of the capital improvement program by resolution on or before August 15th of each fiscal year which includes five years of future capital.

(C) Amending the budget. Florida Statutes § 166.241 allows budget amendments up to sixty days subsequent to the fiscal year end. The council may, by resolution, provide for the transfer of all or part of any unencumbered appropriations balance from one department, fund, service, strategy, or organization unit to the appropriations for other departments or organizational units or a new appropriation. The village manager may transfer funds between programs within a department, fund, service, strategy, or organizational unit and shall report such transfer to the council, in writing, in a timely manner.

(D) Mid-year operating deficits. During the fiscal year, the village may find revenues falling short and expenditures exceeding anticipated levels. If so, the village shall take immediate corrective actions if at any time during the fiscal year new expenditure and revenue estimates are such that an operating deficit is projected at year end. Corrective actions are to be implemented by the village manager with a report to advise the village council of the actions taken. Corrective actions may include:

(i) Manage vacation positions

(ii) Deferral of capital purchases

(iii) Expenditure reductions

(iv) Freeze merit increases

(v) Use of fund balance, including committed fund replacement fund balances

(vi) Increase fees

(vii) Lay-off employees

(E) Short-term loans/use of fund balance. Short-term loans shall be avoided to balance the budget. However, only under an emergency, the village may enter into a short-term debt instrument such as a non-revolving line of credit to ensure continuous operations of the village are maintained and/or financial sustainability. The use of fund balance, which is a one-time revenue source, may be used to fund an annual operating deficit, but only with a plan prepared as part of the annual budget to replenish the fund balance if it is brought below policy level.

(d) Capital expenditures and improvements

(1) *Purpose*. The village will review and monitor the state of the village's capital equipment and infrastructure annually, setting priorities for its replacement and renovation based on needs, funding alternatives, and availability of resources.

(2) *Capitalization threshold for tangible assets*. Capital assets include property, buildings, furniture, equipment, vehicles, software, and infrastructure assets. Capital assets used in governmental fund types of the village are recorded at cost if purchased or constructed. The following capitalization thresholds are as follows:

Asset Class	Capitalization Threshold
Furnishings & Equipment	$5,000
Intangible	$25,000
Capital Improvement Projects	$50,000
Infrastructure	$50,000

(3) *Five year capital improvement plan (CIP).*

(A) The village shall annually prepare a five-year capital improvement plan based on the needs for capital improvements and equipment, the status of the village's infrastructure, replacement and renovation needs, and potential new projects in coordination of the development of the strategic plan, business plan, and operating budget, as well as ensuring compliance with the comprehensive plan's capital improvement element and all other village master plans. Future operating expenditures and revenues associated with new capital improvement will be projected and included in operating budget five-year forecasts.

(B) Capital projects are improvements or additions to the village's physical plant/facilities and become part of the village's asset inventory. Capital projects can be further categorized into land, buildings, improvements other than buildings, and infrastructure, which includes roads, sidewalks, bridges, utility lines, etc. Capital costs typically consist of preliminary design, final design, and construction, and may involve the acquisition of land or easements. For every project identified in the plan, a project scope and project justification will be provided. Also, project costs shall be estimated, funding sources identified and annual operation and maintenance costs computed.

(C) Staff will identify the estimated costs and funding sources for each capital project proposal before it is submitted to the council for approval. The village will determine and use the most prudent financial methods for acquisitions of new capital equipment and projects, based on its financial resources and market conditions at the time of acquisition.

(D) All capital projects submitted for approval must be justified in terms of how the project supports the achievement of the village's strategic priorities and intended outcomes. Projects are prioritized and approved based on the relevance of the project to the village's strategic plan and the impact on the end customer.

(E) The five-year CIP shall be filed and year one funding approved with the annual budget. Years two through five are for planning purposes only, and may move up, back, or be phased as the project becomes more refined based on preliminary engineering and design work gets completed.

(F) The five-year CIP shall be limited to the affordability limits identified in the long-range financial plans of the village taking into consideration pay-as-you go funding capacity, operating costs, etc. Affordability shall be determined by the revenue assumptions used to build the five-year forecast.

(G) Projects that cannot be funded in the five-year CIP using the affordability assumptions will be included in the CIP for future reference as an appendix of unfunded projects and considered for future funding or a bond referendum.

(4) *Capital improvement project*. A capital improvement project is defined as a major construction, expansion, renovation, purchase, or major repair/replacement of buildings, streets or other physical structure which has an estimated cost of $50,000 or more and a life of at least three years.

(5) *Replacement of capital assets on a regular schedule*. The village shall annually prepare a schedule for the replacement of its fleet, high value technology and high value parks capital assets. Funding for the replacement of these assets will be accomplished using an annual depreciation structure charged to each participating fund at 100% of annual depreciation based on lifecycle or useful life of the asset. Within the resources available each fiscal year, the village shall replace these assets accordingly.

(6) *Capital project management*.

(A) All projects will be considered active once the fiscal year has begun with an appropriately adopted CIP budget in place. Projects will be initiated by the responsible department, which shall follow appropriate procurement policies and procedures.

(B) Projects funded with bonds, loans, or short-term notes will continue until the project is finished and closed on the general ledger. Projects funded by cash will expire at year-end, with no funding rolled forward unless approved by the finance director. Projects finished under budget will be closed and excess funds will be placed in the fund balance for unrestricted use.

(C) Unrestricted, excess funds shall be used to fund future capital projects, new business plan initiatives adopted midterm, over-budget projects, or to refund financial instruments.

(D) Projects that will exceed the budget must have a revised budget and a request for additional funding submitted to the finance director at the earliest possible time. Additional funding may be identified through savings in other capital projects at the discretion of the finance director, or through council action.

(7) *Physical inventory*. An annual inventory of equipment will be conducted to ensure that the replacement, maintenance, and CIP projections are accurate, and that sufficient internal control over capital items is exercised.

(e) Debt

(1) *Purpose*. The village will establish guidelines for debt financing that will provide needed facilities, land, capital equipment and infrastructure improvements while minimizing the impact of debt payments on current and future revenues.

(2) *Use of debt financing*.

(A) Debt financing, to include general obligation bonds, revenue bonds, lease/purchase agreements, and other obligations permitted to be issued or incurred under Florida law, shall only be used to purchase capital assets that cannot be prudently acquired from either current revenues or fund balance/working capital and to fund improvements and additions. Debt financing is utilized to spread payments for assets and infrastructure over their useful lives. Debt will not be used to fund operating expenditures.

(B) The village will pay cash, when possible, for capital improvements within the financial affordability of each fund versus issuing debt when funding capital expenditures and capital improvements. Projects that are rehabilitative in nature shall be earmarked for funding from cash instead of debt when possible. (This is not intended to include reconstruction projects that significantly extend the useful life of an asset.) Cash sources include, but are not limited to general fund one-time revenues, water and sewer system revenues and developer fees, and state and federal grants.

(3) *Bond ratings*.

(A) In evaluating the issuance of additional debt to finance projects, the village shall consider the statements of the rating agencies regarding the village's financial condition. The village rely on its municipal advisor to stay informed on rating agency methodologies which may change from time to time.

(B) Ratings generally reflect the assessment of the following factors, and these must be evaluated to determine the impact of potential bond issues:

(i) Local economic activity
(ii) Strong financial policies, budgeting and long-term planning practices
(iii) Budgetary performance
(iv) Total liquidity and reserve balances

(v) Debt and contingent liability- evaluation of debt carrying costs as a percent of expenditures or revenues
(vi) Impact of future debt issuance on bond ratings/debt profile and outlook

(4) *Affordability.*

(A) The village shall use an objective analytical approach to determine whether it can afford to issue new general-purpose debt. This process shall compare village-accepted standards of affordability to the current values for the village. These standards may include debt per capita, debt as a percent of taxable value, taxable value per capita, and tax rate. The process shall also examine the direct costs and benefits of the proposed expenditures. In addition, the analysis will evaluate the capacity within the general fund to take on the operating expenditures associated with the completion of the proposed capital improvements.

(B) When a project has a significant impact on the operating budget, the tax rate shall be shifted from debt service to maintenance & operations to support the increased expenditures. Further debt capacity shall be evaluated based on the remaining debt service tax capacity. The decision on whether or not to issue new debt shall be based on these costs and benefits, current conditions of the municipal bond market, and village's ability to afford new debt as determined by the aforementioned standards.

(C) In the event that a project may require debt, an affordability analysis will be done on a project-by-project basis. The village will also consider the affordability of new debt secured by revenue sources other than ad valorem taxes.

(5) *Debt service coverage*. Annually, upon filing of the continuing disclosure requirements related to any outstanding village debt, the finance director will transmit historical coverage tables to the village manager which account for legally available revenues divided by the maximum annual debt service requirements for like revenue bonds. The communication ensures awareness of the village's current debt level.

(6) *General obligation bonds and non-ad valorem revenue debt.*

(A) When the list of unfunded projects contains projects that the village council wishes to fund but cannot afford ith existing ad valorem taxes, then the village will consider taking a general obligation bond referendum to the voters as provided by Florida law.

(B) General obligation bond proposals would include an analysis showing how the new debt combined with the current general obligation debt impacts on the village's ad valorem tax rate.

(C) General obligation bonds may only be issued to accomplish projects identified in the bond referendum and associated material.

(D) The village may also issue non-ad valorem revenue debt for general government projects. Non-ad valorem revenue debt is repaid with any legally available revenues that are not derived from ad valorem taxes. The village will ensure that the anti-dilution test is satisfied for any new non-ad valorem debt issued.

(E) General obligation bonds must be issued for projects that are consistent with the wording in the bond propositions.

(7) *Debt structutes*.

(A) The village shall strive to issue bonds with a final maturity at, or below 30 years, but in no case longer than the useful life of the asset.

(B) The village shall seek level or declining debt repayment schedules and shall seek to retire 50% of the total principal outstanding within the average life of the bonds.

(C) There shall be no capitalized interest included in the debt structure except as specifically disclosed to the council and justified by project needs.

(8) *Debt refunding*. The village's financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debt. As a general rule, the net present value savings of a particular refunding should exceed 3.0% of the refunded maturities in aggregate to offset the cost and time of a refunding debt issuance unless (1) a debt restructuring is necessary or (2) bond covenant revisions are necessary to facilitate the ability to provide services or to issue additional debt.

(9) *Bond proceeds*.

(A) The use of bond proceeds will be tracked to allocate bond proceeds to specific projects financed with the bond proceeds. If different projects with different allowable repayment sources are funded by the same issue, the proceeds will be allocated to each allowable funding source with a corresponding allocation of debt service. For example, if a single issue funded roads which may be paid by gas taxes as well as park that could only be paid by general governmental funds, debt service shall be allocated such that gas taxes may be used to pay an appropriate share of debt service.

(B) Spending amounts and dates will be tracked to ensure compliance with any spend-down or arbitrage considerations.

(C) Bond proceeds will be invested as required by any loan or bond covenants and, if no covenants control the investment, then as required by the village's investment policy, subject to IRS rules and regulations.

(D) Interest earnings on bond proceeds will be limited to funding changes to the bond financed CIP in compliance with the underlying debt authorization, cost overruns on bond projects, or be applied to debt service payments on the bonds issued. In the case of general obligations bonds, issued but unspent bond proceeds may be appropriated for projects consistent with the ballot language after completion of projects identified in the approved bond propositions.

(10) *Sale process*. The village shall use a competitive bidding process in the sale of debt unless the nature of the issue or market conditions warrants a negotiated sale. The village will utilize a negotiated process when the issue is, or contains, a refinancing that is dependent on market/interest rate timing. The village shall award the bonds based on a true interest cost basis. However, the village may award bonds based on a net interest cost basis as long as the financial advisor agrees that the NIC basis can satisfactorily determine the lowest and best bid. Based on the fact that market conditions and the village's needs change regularly, sales process parameters will be disclosed to and approved by the council.

(11) *Underwriting syndicates*. In response to the MSRB Rule G-17, which recognizes that the motivations of an underwriter may not be consistent with the best interest of the village, the village shall refer underwriters to its municipal advisor to review potential refunding opportunities. The village's municipal advisor is prohibited from underwriting the village's bonds while under contract with the village for municipal advisory services, and for a period of one year after termination of the municipal advisory contract. The village may request its municipal advisor to assist the finance director in developing a request for proposals intended for underwriters for negotiated bond issues. The village will not be restricted in the number of underwriters selected to support the village in a negotiated bond sale.

(12) *Rating agency presentations*. Full disclosure of operations and open lines of communications shall be maintained with the rating agencies. village staff, with the assistance of financial advisors, shall prepare the necessary materials and presentation to the rating agencies. Credit ratings will be sought from one or more of the nationally recognized municipal bond rating agencies, including but not limited to Moody's Investors Service, Standard & Poor's and Fitch Ratings Inc., as recommended by the village's municipal advisor.

(13) *Bond ratings*. The village will prudently manage the governmental funds and enterprise funds if applicable, and attempt to issue and structure debt to help maintain or increase the current bond ratings.

(14) *Bond issuance*. The village may utilize a municipal bond insurance policy or a debt service reserve surety policy if such a policy provides economic benefits to the village.

(15) *Lease/purchase agreements*. The village may use lease/purchase agreements for capital items when it is cost-efficient and provides for more attractive terms than issuance of bonds or other forms of debt.

(16) *Pension liability policy*. In accordance with § 4(6)(c) of the village charter, the council may not adopt any compensation plan for municipal employees or officers that incur unfunded liabilities or adopt a defined benefit plan. The council may only adopt a defined contribution plan.

(f) Expendutires and services

(1) *Purpose*. The village will identify services, establish appropriate service levels and administer the expenditure of available resources to assure fiscal stability and the effective and efficient delivery of those services.

(2) *Procurement activities*.

(A) The village shall maintain policies and procedures to ensure compliance with state laws relating to procurement of goods and services.

(B) The village council shall periodically review the village's procurement codes to ensure they are designed to result in the efficient and effective acquisition of commodities and services for the village, while ensuring the village is a good steward of the public's funds.

(3) *Maintenance of capital assets*. Within the resources available each fiscal year, the village shall maintain capital assets and infrastructure at a sufficient level to protect the village's investment, to minimize future replacement and maintenance costs, and to maintain service levels.

(4) *Periodic program/service reviews*. The village manager and staff shall undertake periodic reviews of village programs and services for both efficiency and effectiveness. Outsourcing and contracting with other governmental agencies and/or the private sector will be evaluated as alternative approaches to service delivery. Programs or services determined to be inefficient and/or ineffective may be recommended through the annual budget process to be reduced in scope or eliminated.

(5) *Outsourcing of village services*. The village provides many municipal services to its citizens covering a wide variety of disciplines. Attempting to perform all of these services in-house could dilute the village's efficiency and not be cost effective. Two of the management tools utilized by the village to maximize efficiency and cost effectiveness are outsourcing and managed competition processes. The economic benefits of competition include lower costs and improved quality of performance irrespective of whether a given service is ultimately performed in-house or outsourced.

(g) Cash management and investments

(1) *Purpose*. The village will maintain the Village's cash in such a manner so as to ensure the absolute safety of principal, to meet the liquidity needs of the Village, and to achieve the highest possible yield in compliance Florida Statues § 218.14 and the village's investment policy, as adopted by the council.

(2) *Investment policy*.

(A) All aspects of cash/investment management shall be designed to ensure safety and integrity of the village's financial assets. Cash/investment management activities shall be conducted in full compliance with prevailing local, state, and federal regulations.

The village shall review its investment policies on a periodic basis. Please reference the village's investment policy as adopted by the council.

(B) The village shall design and establish policies relating to a variety of cash/investment management issues, such as authorized investment institutions and dealers, permissible investments, maturity and liquidity requirements, third party custodial agreements, and such other aspects of the program, which necessitate standard setting in pursuit of appropriate prudence and enhanced protection of assets.

(3) *Investment strategy*. The village maintains a consolidated portfolio in which it pools its funds for investment purposes. The village's investment program seeks to achieve safety of principal, adequate liquidity to meet cash needs, and reasonable yield commensurate with the preservation of principal and liquidity.

(4) *Interest income*. Interest earned from investments shall be distributed to the funds from which the funds were provided.

(5) *Arbitrage investments and reporting*. The village's investment position as it relates to arbitrage is as follows: Investments on bond proceeds will be made with safety of principal and liquidity in mind, but with a competitive rate of return. Investment of bond proceeds will be clearly tracked, and investment earnings recorded for arbitrage purposes.

(6) *Depository bank.*

(A) The village will select its official bank depository through a formal bidding process in order to provide the village with the most comprehensive, flexible, and cost-effective banking services available. Only officials authorized by the council through the depository contract may open accounts in the name of the village or its component units.

(B) All checks shall have two signatures. Three people shall be authorized to sign checks: the village manager, the mayor, and the vice mayor. Signatures shall be affixed to all village checks via facsimile signatures and are made with a secure laser check printing system.

(7) *Collateralization of deposits*. The Florida Security for Public Deposits Act prescribes the deposit authority of the village. Deposits whose value exceeds the limits of federal depository insurance are entirely insured or collateralized pursuant to the Act. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 200% of the average monthly balance of public deposits depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency.

(h) Grants

(1) *Purpose*. The village will seek, apply for, and effectively administer federal, state and local grants, which support the village's current priorities and policy objectives.

(2) *Authority to apply for grant funding*. Only the village manager or an authorized designee may sign and submit grant applications on behalf of the village. Council approval is not required in order to apply for a grant.

(3) *Coordination of grant policy and grant operations*. The village must be able to track and manage grants at all stages of the grants process from funding research through project closeout.

(4) *Acceptance of grants*. All grants award contracts awarded to the village must be reviewed and, if agreeable to the village, accepted in an expeditious manner. Grant award contracts which have a village funding match in excess of $75,000, or which require the village to indemnify the grantor in excess of prevailing insurance coverages, or which require the village to transfer an interest in village-owned land (other than the granting of a temporary easement) must be approved by the council. All other grant award contracts may be approved by the village manager.

Sec. 2-161. Policies on responsible management established.

(a) Performance management

(1) *Purpose*. Village shall create a strategic plan that identifies the strategic goals with corresponding key performance indicators (KPIs) to help monitor and achieve the strategic goals.

(2) *Establishing performance requirements*.

(A) Annually, each department, along with the finance department, shall develop and review existing departmental performance measures that directly support the successful achievement of strategic goals. The KPIs and targets shall measure and track the performance of core processes of the department and should reflect customer needs.

(B) The KPIs shall measure performance from one of the following "perspectives" (Measure Types): Impact, Demand, Efficiency and/or Effectiveness:

(i) Impact: Measures the resources being used by a department and/or the impact on the community. (Example: The number of calls responded to by staff and the cost associated to responding to those calls and/or the benefit of having a place for the resident to call).

(ii) Demand: Measures the need for a specific service or program. (Example: The total number of incoming calls).

(iii) Efficiency: Measures cost efficiency. (Example: Responding to all incoming calls while looking to reduce cost).

(iv) Effectiveness: Measures how well an objective is achieved. (Example: The ability to effectively answer all inquiries and respond to all incoming calls).

(C) Department directors shall establish performance measures for each division or program within their department to monitor and project program performance. These measures must be linked to the strategic goal(s) they support.

(D) Supervisors shall negotiate fair and aggressive performance measures for each employee that directly support program objectives and departmental KPIs as part of the annual performance review process.

(E) KPIs should have sufficiently aggressive "stretch" targets to ensure continuous improvement.

(3) *Establishing data tracking and reporting requirements*.

(A) The finance department shall establish reporting frequency and "child measure" data to be tracked within each KPI (Parent Measure). The reporting frequency and child measure data must allow for detailed trend analysis and reporting.

(B) KPIs that track the performance of department and/or division core processes shall be monitored and reported using the most frequent "reporting frequency" available and shall continue to be monitored while the core process is performed by the department and/or division.

(4) *Reporting performance*. Summaries of progress and departmental key performance indicators will be reported as deemed necessary by the village manager but will always be included in the annual adopted budget document.

(5) *Decision making and analysis*. The village's strategic/business planning and budgeting decisions are based on a number of advanced statistical, economic, and financial models. The specific tools used include but are not limited to:

(A) Citizen surveys—Based on sound statistical sampling methods, a survey of residents and business owners will be conducted to gather widespread customer satisfaction, quality perceptions, and other attitudinal information.

(B) Citizen focus groups and advisory boards—Focus groups and advisory boards are teams made up of citizens and village staff to address specific concerns and strategic priorities.

(C) Master planning—Specific functions and processes are included in written plans, such as the Comprehensive Master Plan or the Storm Water Master Plan.

(D) SWOC analysis - Strengths, Weaknesses, Opportunities, and Challenges are gathered from staff, Advisory Committee members, and other members of the community.

(E) Revenue forecasting model—Statistical time series analysis and tracking model of major revenue sources.

(F) Performance management system—Established data and tracking methods.

(G) Capital budgeting tools—Present value payback, net present value analysis, and own/lease analysis.

(H) Five-year financial plan—Multiyear forecasting of revenues and expenditures.

(b) Management structure and operating standards

Purpose. The village will develop and maintain a management structure and operating standards that adhere to the principles of "government-lite" while providing forward-thinking, efficient, and transparent municipal operations.

(1) *Master plans*. Master Plans are designed to guide the future actions of a community by establishing long-range strategies focused on community development and sustainability. The village will develop and maintain all statutory master plans including those deemed beneficial by the village manager or council.

(2) *Capital improvement planning and master plans*. Management will adhere to the village's financial policies and best practices during the development of master plans to allow for a smoother transition of long-range plans to be implemented and lessen the impact on the CIP and future operating budgets. Subsequently, to adequately guide the fiscal, operating, and land use needs of the community, management should use master plans as a framework for capital project requests incorporated into the CIP.

(3) *Management structure*. The village governance model reflects the dual priorities of providing daily governance and the nimbleness to act on unique opportunities. The village will maintain a highly experienced, capable, educated and credentialed workforce to meet these unique demands.

(4) *Strategic principles*. The strategic principles of the village are to:

(A) Practice outstanding ethics, by guarding against council, staff, and board member conflict of interest issues.

(B) Provide exceptional transparency by actively soliciting resident input and proactively distributing meaningful, comprehensible information to the public.

(C) Cultivate a sense of community by helping residents engage with one another to create a distinct Estero community.

(D) Preserve operational flexibility by maintaining zero ongoing pension liabilities and a commitment to limited staffing.

(E) Protect environmental assets by engaging in water quality management and open space preservation.

(5) *Operating standards*. The operating standards of the village shall:

(A) Adhere to performance management, by implementing and tracking annual service delivery goals is based on quantifiable performance metrics.

(B) Coordinate universally strong customer service by working with service delivery partners to ensure all resident interactions are helpful.

(C) Mandate excellent construction practices by creating high standards for public and private projects and inspecting them with prudence and diligence.

(D) Maintain superb maintenance by prioritizing upkeep of current village assets and by requiring such upkeep by private communities and businesses.

(E) Manage debt accumulation by identifying a specific source of funding in the budget sufficient to pay all debt service-related costs.

(c) Cybersecurity risk management

(1) *Purpose*. The village will maintain and execute policy and procedures for safeguarding electronic information and systems throughout the Village. These guidelines will protect the rights of citizens and employees and to fully comply with village policies and with state and federal laws.

(2) *Information security policy*. The village council has adopted an information security policy. The village staff is obligated to ensure compliance with council's adopted security policies so as to mitigate the security risk which can be created by unauthorized access, loss, release, destruction, or modification, to/of village electronic systems or data.

Sec. 2-162. Policy alteration limited.

The fiscal and management responsibility policies adopted in § 2-150 throught § 2-161, as created by ordinance 2024-01, are supported by substantial findings setting forth the important policy reasons for the policies' creation. Therefore, the village council finds and determines that, notwithstanding any other provision of the village code to the contrary, the fiscal and management responsibility policies adopted in § 2-150 throught § 2-161 must be maintained, and shall not be amended, without an affirmative vote of five council members.

Secs. 2-163—2-174. Reserved.

Section 2. For purposes of codification of any existing section of the Estero Village Code herein amended, words **underlined** represent additions to original text, words ~~**stricken**~~ are deletions from the original text, and words neither underlined nor stricken remain unchanged.

Section 3. If any section, subsection, sentence, clause, provision or word of this Ordinance is held unconstitutional or otherwise legally invalid, same shall be severable and the remainder of this Ordinance shall not be affected by such invalidity, such that any remainder of the Ordinance shall withstand any severed provision, as the Village Council would have adopted the Ordinance and its regulatory scheme even absent the invalid part.

Section 4. The Codifier shall codify the substantive amendments to the Estero Village Code contained in Section 1 of this Ordinance as provided for therein, and shall not codify the exordial clauses nor any other sections not designated for codification.

Section 5. Pursuant to Florida Statutes § 166.041(4)(a), prior to the date the public notice of the public hearing for this Ordinance was published, the Village prepared and posted on its website a business impact estimate which included: a) a summary of the Ordinance, a statement of the public purpose to be served by the Ordinance, b) an estimate of the direct economic impact of the Ordinance on private, for-profit businesses in the Village, c) an estimate of direct compliance costs that businesses may reasonably incur due to the Ordinance, d) identification of any new charge or fee on businesses created by the Ordinance or for which businesses will be financially responsible, e) an estimate of the Village's regulatory costs and of revenues from any new charges or fees imposed on businesses to cover such costs, and f) a good faith estimate of the number of businesses likely to be impacted by the Ordinance.

Section 6. Pursuant to Florida Statutes § 166.041(4), this Ordinance shall take effect immediately upon adoption.

ADOPTED ON FIRST READING by the Village Council of the Village of Estero, Florida on the 6th day of March, 2024.

ADOPTED ON SECOND AND FINAL READING by the Village Council of the Village of Estero, Florida on the 20th day of March, 2024.

VILLAGE OF ESTERO, FLORIDA

Attest:

By: ______________________
Carol Sacco, Village Clerk

By: ______________________
Jon McLain, Mayor